

1/22/79 [1]

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THE WHITE HOUSE
WASHINGTON

1/22/79

Ambassador Strauss

The attached was returned in
the President's outbox today
and is forwarded to you for
appropriate handling.

Rick Hutcheson

cc: Stu Eizenstat
Zbig Brzezinski

	FOR STAFFING
	FOR INFORMATION
	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION

FOR ACTION
FYI

	VICE PRESIDENT
	JORDAN
	EIZENSTAT
	KRAFT
	LIPSHUTZ
	MOORE
	POWELL
	RAFSHOON
	WATSON
	WEXLER
	BRZEZINSKI
	MCINTYRE
	SCHULTZE
	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

	ARONSON
	BUTLER
	H. CARTER
	CLOUGH
	CRUIKSHANK
	FIRST LADY
	HARDEN
	HERNANDEZ
	HUTCHESON
	KAHN
	LINDER
	MARTIN
	MILLER
	MOE
	PETERSON
	PETTIGREW
	PRESS
	SANDERS
	WARREN
	WEDDINGTON
	WISE
	VOORDE

	ADMIN. CONFIDEN.
	CONFIDENTIAL
	SECRET
	EYES ONLY

THE WHITE HOUSE
WASHINGTON

1/21/79

Mr. President:

DPS and NSC concur with
Strauss.

Rick

THE SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS
WASHINGTON

JAN 16 1979

MEMORANDUM FOR THE PRESIDENT

FROM : Ambassador Robert S. Strauss *RS*

SUBJECT : Recommended Presidential Action on the
Exclusion of Certain Patent Infringing Articles
Under Section 337 of the Tariff Act of 1930,
as Amended

Section 337 of the Tariff Act of 1930, as amended, authorizes the U.S. International Trade Commission to order remedies for unfair practices in import trade. Under that authority the Commission has ordered the exclusion from importation into the United States of a particular design of luggage that infringes a United States design patent. Section 337 is normally used in patent cases.

Section 337 contains Presidential authority to disapprove the ordered remedy for policy reasons by informing the Commission of such disapproval within 60 days of receipt of the Commission's determination. Representatives of the agencies comprising the Trade Policy Committee (the Special Trade Representative, the Attorney General, the Chairman of the Council of Economic Advisers, the Director of the Office of Management and Budget, and the Secretaries of Agriculture, Commerce, Defense, Interior, Labor, State, and Treasury) unanimously recommend that you exercise Option 1 below and take no action on this case. This will allow the exclusion order to become final after January 29, 1979. There is no provision for Congressional override of the President's action in Section 337 cases.

There are no known economic or political policy reasons favoring disapproval of the exclusion order. The patented article represents a very small part of the U.S. market of soft-sided luggage. Furthermore, imports with minor design differences from the patented design are not covered by the exclusion order.

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The Presidential options are:

OPTION 1 (the recommended option)

Decision

Approval (automatic)

Presidential Action Required

None, the exclusion order automatically becomes final after January 29, 1979

OPTION 2

Decision

Approval (specific)

Presidential Action Required

President informs U.S. International Trade Commission of approval of the exclusion order prior to January 29, 1979

OPTION 3

Decision

Disapproval

Presidential Action Required

President informs U.S. International Trade Commission of disapproval of the exclusion order

Decision:

Option 1 ✓
Option 2
Option 3

J

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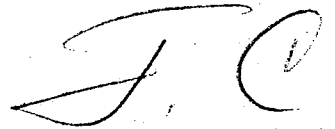
THE WHITE HOUSE

WASHINGTON

January 22, 1979

MEMORANDUM FOR: ATTORNEY GENERAL BELL
DIRECTOR MCINTYRE

I would like to have your recommendations on persons to be considered for the Inspector General's position at the General Services Administration by Thursday afternoon. We should consider persons on the list that Jay Solomon has recommended as well as other persons. It would be preferable if we could select someone that Jay has recommended.

A handwritten signature in dark ink, appearing to be 'J.C.' with a stylized flourish.

cc: Hamilton Jordan
Tim Kraft
Bob Lipshutz

P
THE WHITE HOUSE
WASHINGTON

1/22/79

Mr. President:

Zbig told me you wanted a SALT meeting today or tomorrow. I suggest today to keep tomorrow clear for last minute work on your speech. NSC can be ready for a 3:30 pm meeting.

☒ approve 3:30 pm meeting today
☐ other

Phil

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THE SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS
WASHINGTON
20506

①

January 19, 1979

MEMORANDUM FOR THE PRESIDENT

From: Ambassador Robert S. Strauss *RS*

Subject: Weekly Summary

The textile negotiations with management and labor look like they have resulted in an agreement that we can live with and will assure the support of both sides of the industry for the MTN package as well as in a broader political context. Prior to the final trade, we presented a suggested draft of what the final Administration position should look like to representatives of every involved department as well as Stu's office. The specific suggestions of each were incorporated in the final tentative paper. I will review it in final detail more thoroughly with Schultze and Eizenstat before forwarding it to you with comments and recommendations.

Our meetings on Hill strategy with Frank and his people and with Anne Wexler have been most constructive. I know I need not tell you that they both have first-rate operations. When I compare the knowledge and skills of Frank Moore in January 1979 with January 1976, I realize just how far we've all come in a short period of time.

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1:30 PM

THE WHITE HOUSE

WASHINGTON

January 19, 1979

MEETING WITH THE HOUSE STEERING AND POLICY COMMITTEE

Monday, January 22, 1979

1:30 p.m. (15 minutes)

The Cabinet Room

From: Frank Moore

Frank Moore

I. PURPOSE

To discuss our legislative priorities with the Steering and Policy Committee.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

Background: Last year you met with the Steering and Policy Committee to go over the legislative priorities for the year. In the Vice President's agenda memo, you agreed to a similar meeting this year. As you may recall, last year's meeting turned into a general gripe session at which little was accomplished. This year the leadership has been briefed on an overview of the priorities (at Tuesday's Leadership Breakfast), and also given a 90 minute briefing on the budget. It is important that you set the tone the way you did at the Leadership Breakfast and get the discussion focused on our priorities -- domestic and foreign.

The Vice President, Stu Eizenstat, Jim McIntyre and Zbigniew Brzezinski will be able to stay after your presentation to carry on a further discussion and answer specific questions.

Participants: The President, Members of Congress on the attached list, Frank Moore, Bill Cable, Valerie Pinson, Jim Free, Bob Beckel, Terry Straub.

Press Plan: White House photographer only.

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III. TALKING POINTS

1. Economy Anti-Inflation and FY 80 Budget. You should reconfirm your commitment to the anti-inflation effort and point out that without Congressional support, and resolve, success will be impossible.

The Administration's anti-inflation legislation package will include Real Wage Insurance, Hospital Cost Containment, COWPS Reauthorization, and perhaps some initiatives in the area of Regulatory Reform.

You should outline the framework of the budget and indicate that the assistance of the Leadership will be vital if we are to hold the line on federal spending. All members will have seen copies of the budget prior to the meeting.

If you feel inclined, you could at this point mention the four-member task force from my staff which will be working with the Committees in an effort to communicate the Administration's positions on the budget in a timely fashion.

2. Panama Canal Implementing Legislation. We will be sending the legislation to the Hill. It will probably be referred jointly to five separate committees in the House. Jack Murphy's Merchant Marine & Fisheries Committee and the House International Relations Committee will get the biggest parts. You should stress the importance of early action on the legislation. Reps. de la Garza, Breaux, Biaggi could help on the Merchant Marine & Fisheries Committee, and should be asked to help.
3. PRC Normalization. We expect to send the legislation on the status of Taiwan to the Hill this week.
4. Reorganization. You have reviewed some suggestions on reorganization plans and have decided to consult further on the major and important proposals. At this time it is certain that you will be sending the Department of Education bill and continuing your commitments to make the government work more efficiently.

5. National Health Insurance. You have met with Secretary Califano and have directed him to consult with the leaders in Congress to gather a consensus as to how to proceed. You are committed to begin down the legislative path toward the Comprehensive National Health Insurance program this year.

DEMOCRATIC STEERING AND POLICY COMMITTEE

Thomas P. O'Neill, Jr., Chairman
The Speaker
Jim Wright
Majority Leader
Thomas S. Foley
Chairman, Democratic Caucus
John Brademas
Majority Whip
Dan Rostenkowski
Chief Deputy Whip

Benjamin Rostenthal (N.Y.) -- Assistant Whip
Bill Alexander (Ark) -- Assistant Whip
George Danielson (Calif) -- Assistant Whip
Charles Rose (N.C.) -- Assistant Whip

Appointed by the Speaker to accomodate special groups who were not properly represented:

Charles Rangel (N.Y.) -- Blacks
Gladys Spellman (Md) -- Women
Bill Gray (Pa) -- Freshmen

Elected by the regions; none can serve more than four years:

Robert Duncan (Ore)
William Ford (Mich)
Morgan Murphy (Ill)
Richard Bolling (MO)
Eligio de la Garza (Tx)
John Breaux (La)
Bill Hefner (N.C.)
Robert Roe (N.J.)
John Seiberling (Ohio)
Mario Biaggi (N.Y.)
Fernand St Germain (R.I.)

11:30 a.m.

THE WHITE HOUSE
WASHINGTON

January 22, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: HAMILTON JORDAN *HJ*

SUBJECT: Meeting with Jay Solomon
11:30 a.m. - January 22, 1979

Several points to be made:

To reassure Solomon, you need to tell him the following things:

- that you did not like the story in the Post over the weekend and had conveyed your strong feelings and disappointment ~~with~~ the senior staff;
- that you had directed Jody to draft and release a statement expressing your continued support for Jay and appreciation for his efforts to date;
- that you regret that the story surfaced, but that it was probably inevitable as we begin to look for replacements for Jay based on his conversations with several of us (Bell, Kirbo, Jordan) and his telling you specifically that he planned to leave when he rode on Air Force One with you to Tennessee in the Fall;
- that when he does decide to resign, you would like to have a public ceremony to express our public appreciation for the sacrifice he made in coming to government and cleaning up a corrupt agency;
- that you share his view that we need to move expeditiously on the inspector general;

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- that you are not a lawyer and don't know any of the three persons recommended, but that you have directed Jim McIntyre and the Attorney General to interview all those recommended and present him with a recommendation. Based on that recommendation, and Jay's recommendation, you will select the person who can do the best job;
- conversely, you cannot be put in the public position by Jay that if you don't choose his person, you don't support the investigation, and that Jay has to be helpful on this - this is the one area where you need to be very firm with Jay.

THE WHITE HOUSE
WASHINGTON

1/22/79

Frank Moore
Zbig Brzezinski

The attached was returned in
the President's outbox. It is
forwarded to you for your
information.

Rick Hutcheson

FOR ACTION
FYI

	FOR STAFFING
	FOR INFORMATION
<input checked="" type="checkbox"/>	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
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	LAST DAY FOR ACTION

VICE PRESIDENT

JORDAN

EIZENSTAT

KRAFT

LIPSHUTZ

MOORE

POWELL

RAFSHOON

WATSON

WEXLER

BRZEZINSKI

MCINTYRE

SCHULTZE

ADAMS

ANDRUS

BELL

BERGLAND

BLUMENTHAL

BROWN

CALIFANO

HARRIS

KREPS

MARSHALL

SCHLESINGER

STRAUSS

VANCE

ARONSON

BUTLER

H. CARTER

CLOUGH

CRUIKSHANK

FIRST LADY

HARDEN

HERNANDEZ

HUTCHESON

KAHN

LINDER

MARTIN

MILLER

MOE

PETERSON

PETTIGREW

PRESS

SANDERS

WARREN

WEDDINGTON

WISE

VOORDE

ADMIN. CONFIDEN.

CONFIDENTIAL

SECRET

EYES ONLY

THE WHITE HOUSE
WASHINGTON

done
J

CONGRESSIONAL TELEPHONE CALL

TO: Senator Daniel Inouye

DATE: As soon as possible

RECOMMENDED BY: Frank Moore *F.M.*
Zbigniew Brzezinski *zbr*

PURPOSE: To thank Inouye for the role he played in securing the Philippine Base Agreement

BACKGROUND: Inouye has played a vital role in the conclusion of 10 years of negotiations over American base rights in the Philippines. President Marcos has already telephoned Inouye to thank him. It would be appropriate for you to do so also.

TOPICS OF DISCUSSION:

1. Without Inouye's trip to the Philippines and his conversations with Marcos, the negotiations could not have been completed. Specifically, Inouye persuaded Marcos that he would never get a better deal from Congress than the one offered. He persuaded Marcos to bring the negotiating process to an end.
2. The conclusion of the negotiations is particularly important in view of our new relationship with the PRC---if he is to convince those Asian allies concerned about our intent to remain involved in Asia that we are there to stay.

DATE OF SUBMISSION: January 17, 1979

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6651

THE WHITE HOUSE
WASHINGTON

1/22/79

Frank Moore
Jim McIntyre

The attached was returned in the President's outbox today and is forwarded to you for your information. The signed original has been given to Bob Linder for appropriate handling.

Rick Hutcheson

cc: Bob Linder



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

9
1

JAN 20 1979

MEMORANDUM FOR THE PRESIDENT

FROM: JAMES T. MCINTYRE, JR. *Jim*
Subject: Implementing Legislation for the Panama
Canal Treaties

Attached for your signature and transmittal to the Congress are letters to the Speaker of the House and the President of the Senate and a draft bill prepared by the State Department which will serve to implement the Panama Canal Treaties.

Briefly, the bill will establish a Panama Canal Commission as a corporate agency of the U.S. to operate the Canal as a self-sustaining entity. The Commission will have a Board of Directors consisting of 5 U.S. and 4 Panamanian members. The bill contains special provisions for retirement, pay, and placement assistance for current employees of the Panama Canal Company and the Canal Zone Government. Special immigration procedures will apply to current non-citizen employees of these agencies. Funds are authorized to carry out these activities.

The legislation was reviewed by the following agencies: Defense, Panama Canal Company, Justice, Treasury, Transportation, Commerce, Agriculture, Office of Personnel Management, Labor, U.S. Postal Service, Administrative Office of the U.S. Courts, National Security Council, and the Smithsonian Institution. Numerous changes were made to the original legislation to accommodate suggestions from the various agencies.

The transmittal letters have been reviewed and agreed to by Jerry Rafshoon's office, Frank Moore's office, and the National Security Council.

In a memorandum of July 27, 1978, to you, we advised you of various decisions that had been made on this legislation. You agreed with all those decisions except one providing for special immigration procedures for non-U.S. citizen employees of the current Canal Zone agencies, expressing concern that employees fired without cause should be given a waiver of the requirement that they would not be likely to become a public charge. To implement that decision, we have redrafted the legislation in the following manner:

1. Special immigration status under the Immigration and Nationality Act would be available to three categories of Panama Canal Company/Canal Zone Government employees or former employees:

-- employees of the Panama Canal Company and Canal Zone Government for one year or more who presently reside in the Canal Zone;

-- retirees of these two agencies who had 15 or more years of honorable service; and

-- employees of those agencies with 15 years or more service who remain employed by the successor Panama Canal Commission and subsequently honorably retired.

2. The public charge provision of the Immigration and Nationality Act would be waived for the 30-month transition period prescribed by the Treaty, i.e., between October 1, 1979 and March 31, 1982.

All necessary reductions in force should be completed by the end of the 30-month transition period. This change has been agreed to by Defense and State.

The treaty is scheduled to go into effect on October 1, 1979. In order to assure a smooth transition, it is important that legislation be enacted by May 31. We understand that Frank Moore's office wishes to send the bill to the Congress as soon as possible.

Attachments

TWO SIGNATURES REQUESTED

THE WHITE HOUSE

WASHINGTON

Dear Mr. President:

I am pleased to forward herewith the text of proposed legislation to implement the Panama Canal Treaty of 1977 and its Related Agreements. I would appreciate its urgent consideration and timely passage by the Congress.

Senate approval of the Canal Treaties last April, and the delivery of instruments of ratification in June, marked the beginning of a new and important phase in our relations with the Republic of Panama and other nations of the Hemisphere. Under the Treaties, the United States will retain operational control of the Canal and primary responsibility for its defense until the end of this century. Panama will participate in the operation and defense of the Canal and will assume full responsibility for its operation when the Canal Treaty expires. Under a second treaty approved by the Senate the United States retains, permanently, the right to defend the Canal against any threat to its neutrality.

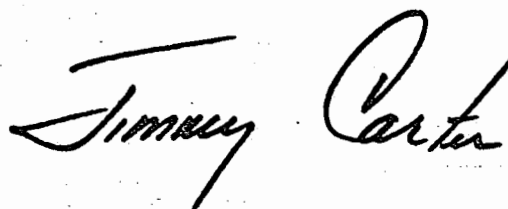
The constitutional processes of both countries have now been completed, and the treaties will enter into effect on October 1, 1979. Under their terms, on that date the Canal Zone will cease to exist, the United States Government agencies known as the Panama Canal Company and the Canal Zone Government will cease to operate within Panama, and general jurisdiction over the area as well as the performance of a number of important support functions will pass to Panama. Property transfers will become effective in accordance with Treaty provisions.

Under the Treaty, we will acquire extensive obligations and rights with respect to the Canal on October 1. We will not, however, be in a position to exercise these rights in a manner which will fully protect our interests in the Canal unless legislative action is taken promptly. To assure a smooth transition and continued efficient

Canal operation once the new Treaties come into force, the legislative framework--in which the agencies responsible for operating and defending the Canal will be operating--must be established well in advance so that they may make the necessary plans and preparations.

Delay in adopting the legislation beyond May 31, 1979, could thus make conversion to the new system of Canal operation and defense less efficient and more costly. Moreover, uncertainty concerning the proposed legislative protection and benefits for Canal employees will increasingly affect employee morale and complicate the process of making necessary personnel adjustments. The consequent disruptive impact on the work force could reduce the efficiency of Canal operations and adversely affect the interests of U.S. shippers and consumers.

Our stewardship of the Panama Canal has been one of the outstandingly successful undertakings of American history. I urge the Congress to consider this legislation as a step toward the completion of another chapter in that history--one in which we will join with Panama to keep the Canal open, efficient and secure. In doing so, I am confident that this Government will maintain a system of management and a standard of performance of which all Americans can continue to be proud.

A handwritten signature in dark ink, reading "Jimmy Carter". The signature is written in a cursive, flowing style. The first name "Jimmy" is written with a large, sweeping initial "J". The last name "Carter" is written with a large, sweeping initial "C". The signature is positioned to the right of the typed name.

Honorable Walter F. Mondale
President of the Senate
Washington, D. C. 20510

Enclosure

Community Services Administration WASHINGTON, D.C. 20506



January 19, 1979

MEMORANDUM TO THE PRESIDENT

Attention: Rick Hutcheson, Staff Secretary

FROM: Graciela (Grace) Olivarez, Director
Community Services Administration

SUBJECT: Weekly Report of Significant Agency
Activities (Week of January 15 - 19, 1979)

Winter Energy Assistance Program Regulations

The Community Services Administration (CSA) has finished revising the regulations for CSA's \$200 million Winter Energy Assistance Program. They are expected to be published Monday, January 22, 1979. The revisions should make it easier for the public to understand and use the programs. These revisions have been made in response to comments from the public, Congress, CSA Regional Offices and CSA Community Action Agencies.

Eligibility Simplification Project

On Tuesday, January 30, 1979, members of the recently established Eligibility Simplification Project will meet at the White House. This project was largely inspired by the Single Purpose Application and Automatic Referral System (SPAARS), a project which received over \$1 million from CSA over the past five years to reduce duplicative eligibility criteria for human service programs, as well as to devise and test systems for enhancing client accessibility to these programs. CSA will continue to provide staff and other support to the Eligibility Simplification Project.

School Breakfast Program

The National Child Nutrition Project, a grantee of CSA's Community Food and Nutrition Project, recently completed three studies on how better utilization of the Department of Agriculture's School Breakfast Program could substantially improve the economies of Wisconsin, Kansas and Maine. For example, it was reported that Kansas school breakfast revenues of \$702,713 produced \$1.6 million in new business sales and wages for the state economy. The purpose of the reports was to encourage states to utilize the funds made available by Congress for this program. Currently, the program is operated in only 18.9 per cent of the nation's schools.

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THE WHITE HOUSE
WASHINGTON

1/22/79

The Vice President
Hamilton Jordan
Stu Eizenstat
Tim Kraft
Bob Lipshutz
Frank Moore
Jody Powell
Jerry Rafshoon
Jack Watson
Anne Wexler
Jim McIntyre
Alfred Kahn
Hugh Carter

EYES ONLY

Re: Cabinet Summaries

The attached were returned in
the President's outbox today
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your personal information.

Rick Hutcheson

FOR ACTION

FYI

FOR STAFFING

FOR INFORMATION

FROM PRESIDENT'S OUTBOX

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NO DEADLINE

LAST DAY FOR ACTION

VICE PRESIDENT

JORDAN

EIZENSTAT

KRAFT

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MOORE

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MARTIN

MILLER

MOE

PETERSON

PETTIGREW

PRESS

SANDERS

WARREN

WEDDINGTON

WISE

VOORDE

ADMIN. CONFIDEN.

CONFIDENTIAL

SECRET

EYES ONLY

include note from
me to Kahr re
weekly summaries -
attached

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

January 20, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze *CLS*
SUBJECT: CEA Weekly Report

Economic Report. On Thursday, January 25, your Economic Report will be transmitted to the Congress. It will be released to the press, under embargo, on Wednesday afternoon and I will hold a briefing for the press at 4:30 p.m. Wednesday. Advance copies of the Report will be provided to the leadership in the House and Senate, also.

Most of the CEA's staff energy this week has gone into final preparation of the Report, as well as working with OMB, White House staff, and other agencies on your budget, real wage insurance, and other initiatives for 1980.

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THE SECRETARY OF TRANSPORTATION

WASHINGTON, D.C. 20590

January 19, 1979

MEMORANDUM FOR THE PRESIDENT

ATTENTION: Rick Hutcheson

SUBJECT: Significant Issues for the Week of January 15

Handwritten signature: Bob Adams

San Diego Airport Noise Litigation - I have recommended to the Department of Justice that the United States not enter an airport noise case in which the State of California is seeking to impose extension of a curfew on airplane flights into Lindbergh Field in San Diego. A Federal district court has struck down the State requirement on the grounds that Federal law prevents States from exercising their police powers and leaves to local airport operators the liability and responsibility for reasonable restrictions on aircraft noise. The district court's decision has been appealed by the State to the U. S. Court of Appeals.

My position follows the position the Administration put forward in the Concorde noise case, which was accepted by the courts. While failing to support the State in the San Diego case may be controversial with Governor Brown and certain environmental groups, the position is important from the perspective of the sound development of the national transportation system. It will also reduce yet another State layer of regulatory red tape, since the State's involvement with curfew would add another layer of government and would reduce the accountability of the airport proprietor for noise impacts.

I understand that the Solicitor General is prepared to support my position, but that because Charlie Warren on the Council of Environmental Quality and the Environmental Protection Agency have recommended supporting the State, he has asked the Attorney General to determine whether the White House wishes to resolve the policy dispute. I have communicated with Jack Watson and Charlie Warren about the issue.

Airline Mergers - The CAB is now considering a series of applications for airline mergers under the Administration's new Airline Deregulation Act. On Monday, we intend to file a brief urging the CAB to permit two airlines (Pan American and Texas International) to pursue in the marketplace their separate attempts to take over National Airlines. We believe that as to each of the possible new combinations, any possible anti-competitive effects are minimal and are outweighed by public transportation benefits.

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Coast Guard Afloat Training Study - You may recall that shortly after the unfortunate accident of the Coast Guard Vessel CUYAHOGA, I directed that an independent assessment of Coast Guard policies and procedures affecting the safety of Coast Guard's Afloat Training Program be made. The final report, which I now have, points up some important areas where improvements can take place. Coast Guard is already taking actions, and I have directed that they proceed with all necessary corrective action. The press will be briefed on the report this Saturday, January 20, and the report will be made public at that time.

Fuel Economy Report - Next week I will be transmitting to Congress the Annual Fuel Economy Report. The report analyzes the ability of auto manufacturers to meet the 1985 standard of 27.5 miles per gallon and shows that this program has helped control oil imports and reduce the trade deficit. Later this year, I will be working on a controversial set of additional fuel economy regulations for trucks and vans, as well as potential standards for cars beyond model year 1985. I understand that these new regulations have been included in your 1979 Presidential issues agenda.

U. S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY
WASHINGTON

January 19, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: RAY MARSHALL *for*
SUBJECT: Major Departmental Activities, January 15
through 19

Process for consulting with the AFL-CIO. As agreed last week, Stu, Landon and I have met with Tom Donahue to work out an agreeable procedure. There are no serious problems and we will finalize the agreement next week. It is important to continue building on our good relations with the individual international unions and other unions, such as the UAW.

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DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

January 19, 1979

MEMORANDUM TO THE PRESIDENT

THROUGH Rick Hutcheson
Staff Secretary

SUBJECT: Weekly Report

INCOME. USDA underestimated 1978 net farm income. Our new figures show \$28.1 billion rather than \$26.3 billion. This is, of course, the highest in history.

EPA. Doug Costel and I signed a formal agreement of cooperation to share employees, facilities and information to speed up farm chemical evaluations and cut duplication. It merely formalized what we had started shortly after Doug came on board and added land use, air and water clean-up and education as areas of cooperation.

WEATHER. Heavy snows in the midwest and west have not yet caused serious cattle losses. It will affect hog production, however.

FOOD STAMPS. Our new simplified food stamp application forms are completed and will be available in all states by February 1. It takes about 25 minutes to complete (I tried, unsuccessfully, to finish one of the old forms).

BOB BERGLAND
Secretary

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THE SECRETARY OF THE INTERIOR
WASHINGTON

January 19, 1979

MEMORANDUM TO THE PRESIDENT

From: Secretary of the Interior

Subject: Major Topics for the Week of January 15

Strip mine regs are in "draft final" form. The major concerns on inflationary cost that were proposed have been removed as they pertained to bonding provisions, engineering standards on slopes of 20 degrees and less, duplication of EPA air regulations and pre-existing construction. There were many other changes, but these were the big ticket items. If you can believe the industry figures, these changes will save hundreds of millions of dollars in the mining of coal.

It appears that the December applicants for pipeline permits as alternatives to the Northern Tier Pipeline proposal may not be serious. If this is the case, we will have finished our studies of Northern Tier and be ready for recommendation by May or June. This will be several months ahead of their requested schedule. DOE is being kept apprised.

All other items are minor when compared to your personal schedule.


CECIL D. ANDRUS

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THE SECRETARY OF COMMERCE
WASHINGTON, D.C. 20230

FYI

REPORT TO THE PRESIDENT

January 19, 1979


With yesterday's release of GNP data for the 4th Quarter, we are able to draw a fairly complete picture of the economy's performance in 1978 and the situation going into 1979. The following highlights should be noted:

- Real GNP rose by 4.3% from the 4th Quarter of 1977 through the 4th Quarter of 1978, aided by an unexpectedly strong 6.1% annual rate of growth in this latest period. The 4th Quarter's expansion was led by gains in consumer spending and improvement in the foreign trade balance. Despite this growth, few shortages of goods or productive capacity are evident.
- Employment rose by 3.3 million in 1978, following 1977's record growth of 4 million. A record 64% of the work-age population were in the labor force in December. The unemployment rate of 5.9% was down from 6.3% a year earlier, having declined in about the same proportion for minority and non-minority workers. Unfortunately the unemployment rate for minorities remains disproportionately high at 11.5%.
- Real business fixed investment rose by 8.3% during 1978. Housing starts remained remarkably strong through year's end at a 2-million annual rate, confounding virtually everyone's expectations. Authorizing savings institutions to issue savings certificates with more competitive interest rates apparently has helped shield the homebuilding sector from bearing the brunt of credit tightening.
- The Nation's trade balance has shown a major improvement, although we still face serious problems in this area. Monthly deficits in merchandise trade have averaged \$1.9 billion in the three months ending in November versus \$3.2 billion in the 1st Quarter of 1978.
- Satisfaction with the above performance indicators must certainly be tempered by the increase in inflation. The consumer price index rose by about 9% in 1978 versus 6.8% in the previous year.
- The economy is entering 1979 with little sign of faltering, although inflation and interest rates are high. The backlog of unfilled orders for manufactured goods has been expanding rapidly. Business inventories are encouragingly low relative to sales. Business investment is showing underlying strength and should be a sustaining force in the economy for some time to come.

The present momentum and freedom from major imbalance almost assure continuing economic growth through the first half of 1979, although probably at a more moderate pace. The impact of credit restriction and fiscal restraints is likely to generate a further slowing in the second half of the year, but a recession in 1979 appears unlikely.

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Responding to a longstanding invitation from the Saudi Minister of Commerce, I
will depart Washington next Thursday for a visit to Saudi Arabia on the 27th
and 28th. This visit will provide an opportunity to convey the Administration's
views on a number of important recent developments in the region; I am meeting
with Zbig this afternoon to discuss how my visit can be most supportive in
this regard.


Juanita M. Kreps



THE SECRETARY OF THE TREASURY
WASHINGTON 20220

F.Y.I.

January 19, 1979

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MEMORANDUM FOR THE PRESIDENT

Subject: Highlights of Treasury Activities

1. THE DOLLAR

Following a very calm period, the dollar depreciated sharply at midweek in reaction to German statements of concern about the domestic inflationary effects of recent exchange market intervention and moves by the Bundesbank to tighten domestic monetary policy. Bundesbank President Emminger subsequently reaffirmed publicly that the Germans have not changed their intervention policy and since his statement, the dollar has strengthened in a calmer market. The U.S. intervened moderately on Wednesday, but no further operations have been needed.

The markets are now focused on your State of the Union speech. A strong statement on inflation and on the dollar will be needed to avoid an adverse reaction.

2. RWI

We launched the proposal this week, and I lead off testimony on it before Ways and Means on January 29. Treasury is carrying out a major lobbying effort on RWI's behalf.

3. EPG

The Steering Committee had an extensive but inconclusive discussion of regulatory reform this week. We are all very concerned that many regulatory statutes effectively preclude using rational cost-benefit analysis in formulating or timing regulations. This anomaly could cost the economy dearly in slowed productivity growth and higher inflation. It is difficult to frame legislation to remedy this problem, and there are powerful interests opposed to weighing costs and benefits in many areas of regulation. I am convinced, however, that your February regulatory reform message should include an initiative in this area, if only to stay out front of an important national debate. Otherwise we will be rightly accused of avoiding the central economic issue in the regulatory field.

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We have now settled on a position regarding the 1981 Social Security tax increase: We will consider cutting that tax only after the Congress has taken up our proposed benefit reforms and Hospital Cost Containment.

Mike

W. Michael Blumenthal

THE WHITE HOUSE
WASHINGTON

1/22/79

Secretary Joseph Califano

The attached was returned in
the President's outbox today
and is forwarded to you for
appropriate handling.

Rick Hutcheson



THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE
WASHINGTON, D. C. 20201

JAN 19 1979

cc Joe
J

MEMORANDUM TO THE PRESIDENT

SUBJECT: Weekly Report on HEW Activities

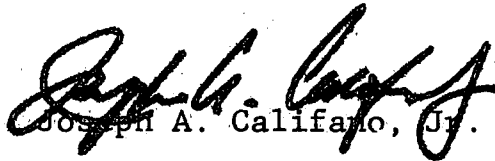
- Testimony: On Friday, January 26, I will testify on the health budget at oversight hearings of Senator Kennedy's Health Subcommittee.
- Mayor Marion Berry: As a follow-up to your meeting with the Mayor, I will meet with him next Thursday to formulate a course of action with respect to St. Elizabeth's Hospital and to explore areas in which HEW can assist the District. *Be very cautious re budget commitments*
- Hospital Cost Reporting: We are today publishing a proposed regulation to implement a statute requiring hospitals to prepare an annual report of their costs using standardized definitions of costs. This will be an important tool in controlling fraud and error. We are publishing this proposal as the first step in a dialogue we are opening with the hospitals to reach agreement on a simple and practical format for the report.
- Smoking: I realize that you are concerned about the politics of North Carolina, but I urge you to read the attached editorial from the NEWS AND OBSERVER of Raleigh, North Carolina and use it, by specific citation, in handling questions about tobacco and health.
- Ethics Law: The problem with this law may be even more serious than you and I supposed at the Cabinet meeting.

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Unless the law is amended or can be decisively interpreted to ease the problem of those who work in the non-profit area, in my judgment you will lose, before July, Hale Champion, Ernie Boyer and virtually all other top education people, FDA Commissioner Don Kennedy and most other top health people and scientists.

This is an extremely serious problem and must be resolved decisively by the Administration within the next 30 to 45 days because people are beginning to make plans based on the assumption that no satisfactory resolution is possible.

The lawyers here believe the law must be amended, and this is the same opinion that most university and non-profit health institution lawyers are giving to Administration officials they are trying to lure back to private life.


Joseph A. Califano, Jr.



Department of Energy
Washington, D.C. 20585

January 19, 1979

MEMORANDUM FOR:

THE PRESIDENT

FROM:

JIM SCHLESINGER *JS*

SUBJECT: Weekly Activity Report
January 13 - 19, 1979

1. Conservation plans and gasoline rationing. The Department is moving rapidly toward sending to the Congress contingency plans for conservation of petroleum products in the event of supply shortages, including a standby plan for gasoline rationing. The first two of four mandatory conservation plans, authorized by the 1975 Energy Policy and Conservation Act (EPCA), will cover weekend gasoline station closings and more effective management of commuter parking and carpooling operations, and will be sent to Congress by January 29. These two plans are estimated to have the potential of saving 450,000 barrels per day if activated. Within the following two weeks, an additional plan -- covering mandatory thermostat settings in public and commercial buildings -- will be sent to Congress. Shortly thereafter, we should be able to submit a fourth plan, outlining restrictions on the use of outdoor advertising lighting. An additional 400,000 barrels per day could be saved should these two plans be activated.

In addition, a final standby plan for the mandatory rationing of gasoline will be sent to Congress by the middle of February. A proposed plan was published last spring, and was the subject of a good deal of public comment.

Under EPCA, both the conservation contingency plans and the standby rationing plan must be approved by both Houses of Congress within 60 days. Also, actual implementation of a rationing plan -- as opposed to its approval by Congress on a standby basis -- is subject to an additional 15 day period during which either House can disapprove such implementation.

Submission of these conservation contingency and standby rationing plans to Congress will give the Administration needed flexibility to respond to future supply situations, particularly should there be a continued absence or very limited amounts of Iranian exports through the summer.

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2. Aviation and kerojet decontrol. It is our current intention to submit to Congress plans for decontrol of aviation and kerojet fuel this coming week, pending continuing Congressional soundings regarding the best timing for this action. I have spoken with Fred Kahn on this matter, and he supports submission of these plans. The inflationary impact of kerojet and aviation gas decontrol should be very minor, with less than a one cent per gallon price increase expected. All the major affected groups -- including the airline industry and the general aviation interests -- support decontrol, since there is agreement that these sectors have had generally adequate supplies in the past, and that spot shortages which have resulted occasionally have been caused by the anomalies of the current controls system. No significant opposition to this decontrol plan is expected in Congress. These plans are also subject to 15-day one-House Congressional veto under provisions of EPCA.



Office of the Attorney General

Washington, D. C. 20530

January 19, 1979

Principal Activities of the Department of Justice for the Week of January 15 through January 19, 1979

1. Meetings and Events

On Wednesday, the Attorney General attended a luncheon honoring the National Commission for the Review of Antitrust Laws and Procedures upon completion of its work. On Thursday, he met with the Canadian Commission of Inquiry to discuss policy problems involved in reshaping security and intelligence operations of the Canadian government. On Friday, he delivered a luncheon address to the Utah State Bar Association in Salt Lake City.

2. INS/Iranian Student Demonstrations

Last week's report mentioned that the Attorney General had ordered an audit of 500 randomly selected files of foreign students in the Los Angeles area, as a first step in a systematic review of the foreign student program. Audit of the files and checks with schools have shown that 144 of the students, or nearly 29%, are not attending the schools reflected in their files, and thus appear to be out of status. Investigation is continuing to determine whether the students are attending other schools, or are in fact out of status and subject to deportation proceedings.

The Attorney General is devoting an increasing amount of time to review of INS operations in general. This week he received a detailed report on the Associate Attorney General's recent trip to INS offices in the Southwest, and made a personal tour of INS headquarters operations in Washington.

3. Guyana

Good
The Civil Division intends to file suit in California on Monday or Tuesday of next week to attempt to recover expenses incurred by the United States Government in transporting the bodies of deceased People's Temple members from Guyana to the United States. No announcement of a suit will be made before it is filed, to avoid the possibility of a preemptive suit by the People's Temple lawyer to enjoin our litigation.

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UNITED STATES REGULATORY COUNCIL

401 M Street, S.W.
Washington, D.C. 20460

January 19, 1979

CHAIRMAN
Douglas M. Costle

WEEKLY REPORT TO THE PRESIDENT

FROM: Douglas M. Costle

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Calendar

Work on the first regulatory calendar is moving well. Twenty-one of the thirty-five Regulatory Council agencies and departments will have entries in the calendar. We will have specific comments on the quality and extent of agency participation next week, though, on the whole, cooperation has been good.

Legislation

We will circulate a draft regulatory reform bill to Council members, other agencies, and selected interest groups next week for their comment. The draft includes proposals to expedite the rule-making process and to enact into law key features of your Executive Order on improving government regulation.

Carcinogen Policy

EPA, OSHA, FDA, and the Consumer Product Safety Commission now have agreement on a risk assessment document that can become the scientific basis for a national carcinogen regulatory policy. We plan to publish the document for review by the scientific community and the general public.

Industry Meetings

The staff has met informally with both the Business Roundtable and the Chamber of Commerce. In cooperation with Anne Wexler, Esther Peterson, and CEQ, we are developing an extensive plan for pre-selling the calendar.

P.S. I believe the idea of a year's moratorium on regulation as expressed at Monday's Cabinet meeting would be politically (in the best sense of that word) irresponsible.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

WASHINGTON, D.C. 20460

January 19, 1979

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THE ADMINISTRATOR

REPORT TO THE PRESIDENT

FROM: Douglas M. Costle

I thought you would be interested in the results--released today--of our most recent study of the macro-economic impacts of our air and water pollution control programs. The study, covering the period 1970-1986, was done by Data Resources, Inc. (Otto Eckstein's firm). In brief, it shows:

- o A modest impact on inflation--consumer prices will rise 0.1 to 0.2 percentage points faster from now through 1986.
- o A slightly positive effect on employment--the unemployment rate will be 0.2 to 0.4 percentage points lower with the programs through 1986.
- o A small impact on GNP--right now they estimate there has been no net effect on the level of GNP, but its future growth will average 0.1 percent a year less.

These analyses considered only the cost of the programs and made no attempt to take account of their benefits. Benefits are difficult to estimate, but we are completing a study of air pollution benefits, for instance, which indicates that they may be at least twice the cost--as much as \$30 to \$40 billion a year.

The Data Resources study also does not address such problems as possible economic bottlenecks and lower innovation rates resulting from regulation. However, we have done extensive analysis of individual industries to analyze impacts like these, and have taken steps to solve the problems we have found.

In summary, this study reconfirms our belief that the inflation impacts of environmental regulation are small, and we should continue to concentrate on analyzing the impacts of individual regulations on particular industries facing the greatest problems.

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A large, stylized handwritten signature, likely of Douglas M. Costle, written in dark ink.

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
722 JACKSON PLACE, N. W.
WASHINGTON, D. C. 20008

January 19, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: Charles Warren
Gus Speth
Jane Yarn

SUBJECT: Weekly Status Report

Report on the Costs of Pollution Control. At a press conference today, Doug Costle and I released a joint CEQ-EPA study on the macro-economic effects of pollution control requirements. The 51-page report conducted by Data Resources, Inc. (DRI) showed that the cost of air and water pollution clean-up required by federal legislation is a minor contribution to inflation: two-tenths of one percent in 1978 and projected to be only one-tenth of one percent in 1979 and 1980. Between now and 1986, DRI projected the annual contribution of these programs to the rate of inflation to be between one and two-tenths of one percent.

Concerning another frequent criticism that pollution control programs aggravate unemployment, the report said that the unemployment rate is lower than it would be without these programs because they stimulate employment by creating jobs in manufacturing and in the installation and maintenance of necessary control technology. The contribution of these programs to reducing unemployment was estimated to be 0.1 percent in 1978, 0.4 percent in 1980, and 0.2 percent in 1986.

The report does not, nor was it designed to, quantify the many and diverse benefits of our environmental programs. Next Thursday, January 25, CEQ will release your 456-page Annual Environmental Quality Report which will reveal the extent to which the United States has succeeded over recent years in reversing the environmental degradation.

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THE WHITE HOUSE
WASHINGTON

1/22/79

Frank Moore

The attached was returned in
the President's outbox today
and is forwarded to you for
your information.

Rick Hutcheson

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THE WHITE HOUSE
WASHINGTON

CONGRESSIONAL TELEPHONE CALL

TO: Cong. Jamie Whitten (D-Miss)

DATE: January 22, 1979

RECOMMENDED BY: Frank Moore *FM*.

BACKGROUND: Jamie Whitten is scheduled to come in and see you Thursday, January 25. We could not schedule him before he was formally elected as Chairman of the House Appropriations Committee tomorrow.

*Not much
problem.*

Some of the House liberals--Moffett (D-Conn) and Wirth (D-Colo)--are trying to challenge Whitten, but I do not think they will win. We were approached to try to help in the revolt but declined.

TOPICS OF DISCUSSION: You can tell Whitten you wanted to congratulate him before the election and look forward to meet with him on Thursday.

DATE OF SUBMISSION: January 22, 1979

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THE WHITE HOUSE
WASHINGTON

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CONGRESSIONAL TELEPHONE CALL

TO: Senator Frank Church (D-Idaho)
Chairman, Senate Foreign Relations Committee

DATE: As soon as possible

RECOMMENDED BY: Frank Moore *FM*

PURPOSE: Courtesy call

TOPICS OF DISCUSSION: You should tell the Senator that you look forward to working with him this year on the many difficult foreign policy issues. *done*

Advise him that you appreciate his supportive statements on yesterday's news show.

*Frank -
set this
up*

Let him know that you look forward to having him and his wife, Bethine, down for lunch. (Luncheon is not scheduled at this point).

DATE OF SUBMISSION: January 22, 1979

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11:15 AM

THE WHITE HOUSE
WASHINGTON

January 20, 1979

MEETING WITH THE TRUCKING INDUSTRY
Monday, January 22, 1979
11:15 a.m. (10 minutes)
The Roosevelt Room

From: Stu Eizenstat *Stu*
Mary Schuman

I. PURPOSE

To consult with representatives of the trucking industry on Administration plans for trucking deregulation.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background

1. This meeting is with presidents of 15 of the largest trucking companies in the United States. It was set up at the request of Frank Fitzsimmons to give trucking executives an opportunity to tell you their views on trucking deregulation and to consult with you about the Administration's plans.
2. These companies are subject to ICC regulation, and they set rates collectively through rate bureaus. They earn very high profits, and are highly Teamster organized. They are subject to the Master Freight Agreement currently under negotiation.
3. These companies are generally opposed to trucking deregulation legislation (and to the abolition of collective ratemaking) and they oppose recent reforms at the ICC. Most agree with Frank Fitzsimmons, who has requested that you ask ICC Chairman Dan O'Neal to resign. You will recall that last December before the Business Council you defended O'Neal's decisions to cut back on regulation.
4. The status of the Administration's position is: Secretary Adams recommends, and your senior advisors agree, that our first priority is railroad deregulation. We have an options paper from Secretary Adams analyzing

the problems with trucking regulation (a fact widely reported to the truckers) but no recommendations have been made to you on specific proposals. We are still consulting with Congress and the trucking industry, and, although we have not stated so publicly, we believe that our legislation should not be sent up until the Teamster negotiations are completed in April. In no case, however, should you state this timetable as our position. Fred urges that any announcement to the general public (and the Regulatory Message to Congress) should refer to all three surface modes, however, to avoid a focus on rail deregulation and the resulting higher prices.

5. ? We will support Senator Kennedy's bill to establish antitrust immunity for collective ratemaking. Fred Kahn and Esther Peterson plan to join Senator Kennedy at his press conference.

- B. Participants: A list of the 15 trucking representatives is attached. Secretary Adams, Bob Strauss, Fred Kahn, Charlie Schultze, Esther Peterson, Landon, Anne, and Stu will attend.

We will be meeting with the group for an hour and a half, so you need not feel obliged to stay beyond your scheduled 10 minutes.

- C. Press Plan: Not open to the press.

III. TALKING POINTS

1. I am pleased that you could join us today to give us your views on ICC regulation. You have come from many distant parts of the country, and I appreciate your being here.
2. As you know, I believe that we should cut back on federal regulation and increase competition wherever possible. We plan to begin this year by introducing legislation to reform ICC regulation of the railroads. [We have decided to support legislation repealing special antitrust immunity for the trucking industry.] However, we are still in the planning stages of our own programs, and there are no specific recommendations before me for my decision.
Ken bill
3. Since we are still in our planning stages, it is a good time to consult. I am anxious to hear your views.

Ronald E. Burbank, President
Consolidated Freightways
Menlo Park, California

John Ruan, President
Ruan Transportation
Des Moines, Iowa

W. F. Spitznagel, President
Roadway Express, Inc.
Akron, Ohio

C. James McCormick, Sr., Vice President
Briggs Transportation Company
St. Paul, Minnesota

E. L. Murphy, Jr., President
Murphy Motor Freight Lines
St. Paul, Minnesota

Donald L. McMorris, President
Yellow Freight Systems, Inc.
Overland Park, Kansas

Gerald N. Hall, President
Hall's Motor Transit Company
Mechanicsburg, Pennsylvania

Earl N. Hoekenga, President
Ryder Truck Lines, Inc.
Jacksonville, Florida

Robert C. Holmes, President
Holmes Transportation, Inc.
Framingham, Massachusetts

H. Blaine Sanborn, President
Sanborn's Motor Express, Inc.
Portland, Maine

Paul Schuster, Chairman of the Board
Schuster Express, Inc.
Colchester, Connecticut

R. R. (Jake) Smith, Chairman
Smith's Transfer Corporation
Staunton, Virginia

J. Breck Speed, President
Arkansas-Best Freight System
Ft. Smith, Arkansas

Robert Cutler, Chairman of the Board
ICX - Illinois-California Express
Denver, Colorado

John Murphy, Chief Executive Officer
Gateway Transportation Company, Inc.
La Crosse, Wisconsin

Administratively
Confidential

THE WHITE HOUSE

WASHINGTON

January 20, 1979

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT *Stu*
RALPH SCHLOSSTEIN

SUBJECT: Loan Guarantees for Major Corporations

In recent months, the Administration has been approached by several major corporations seeking large loan guarantees to retool or expand their facilities. In general, these firms have been unable to satisfy their credit needs in the private market and several face the prospect of insolvency.

The largest preliminary requests to date have come from American Motors Corporation, which is seeking a \$109 million loan guarantee from the Economic Development Administration (EDA), and Chrysler Corporation, which has approached the Farmer's Home Administration (FmHA) for a \$250 million loan guarantee. In addition, firms in the copper industry have indicated interest in seeking substantial Federal aid. All of these requests are strongly supported by Congressional, State and local leaders.

With rare exceptions (special legislation for Lockheed and Penn Central and EDA's steel industry program), the Federal Government has not offered loan guarantees of the size that these companies seek. The Chrysler, AMC and copper industry applications, however, raise serious questions about the purposes of the EDA and FmHA programs. These projects, if they are funded, could significantly dilute the current focus of these programs: economic development in depressed urban and rural areas. They would involve EDA and FmHA, on a regular basis, in solving the financial problems of major corporations experiencing financial difficulties.

In August, we assembled a task force to consider the issues raised by the Chrysler and AMC applications. The task force was chaired and staffed by the Commerce Department and included representatives of Treasury, Agriculture, OMB and DPS. The task force was asked to develop a uniform policy that FmHA and EDA could use in considering such applications. This memorandum summarizes the task force's recommendations.

Current Policy

There currently are no legislative or administrative guidelines that limit the amount of Federal loan guarantees available from EDA or FmHA. Any economically viable firm that locates in a target area technically is eligible for loan guarantees. Both Chrysler and AMC conceivably could meet the appropriate statutory and administrative guidelines.

In practice, the budget resources of these agencies are limited and the risks associated with large loan guarantees quite high. As a result, these agencies generally have not offered large loan guarantees to major corporations. FmHA's largest loan guarantees are approximately \$30 million and EDA's largest guarantees, with the exception of the current steel program, are in the \$40 million range.

The Chrysler and AMC projects would lead to a significant departure from these current practices. They would involve EDA and FmHA in much larger loan guarantees and, on a regular basis, with "financial workouts" for major corporations.

Recommendation

The members of the task force unanimously recommend that the maximum amount of loans and loan guarantees available to one firm (EDA, FmHA or any combination of these agencies) be limited to \$50 million. If a "financial workout" is involved, we further recommend that any loan guarantees, \$50 million or lower, be issued only as part of an overall solution to the applicant's financial problems. (The \$50 million limit is roughly equivalent to the largest guarantees extended to date under the existing programs.) This limitation will permit large firms to participate in our economic development programs up to a certain level of size and risk, but will reduce EDA or FmHA involvement in "financial workouts" for major corporations.

We make this recommendation for the following reasons:

- The EDA and FmHA programs are not designed or equipped to handle "financial workouts" of major corporations. The EDA and FmHA programs traditionally have assisted economically viable firms that locate in distressed urban and rural areas. The basic purpose of these programs is economic development, not assistance to failing corporations. As a result, neither of these agencies has the statutory basis for imposing the more stringent guidelines that inevitably would accompany any large loan guarantee to a major corporation. Moreover, neither agency has sufficient technical expertise within

*I presume
this means that
a bank or other
private lender
would participate
and strengthen
the loan. If so,
protect the gov't's
lien rights -*

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its current staff to negotiate a complicated "financial workout."

- A firm ceiling on Federal loan guarantees is the only way to limit pressure from major corporations for ever-expanding amounts of financial assistance. EDA and FmHA already have been approached by several large companies, in addition to Chrysler and AMC. Each of these companies can develop a good justification for Federal assistance (as Chrysler and AMC have) and each will have substantial political support. Unless a firm message is sent to these companies, the pressures on EDA, FmHA and the White House will increase substantially.
- The budget resources are not available to meet the potential demand for loan guarantees from major corporations. The AMC request would require EDA to commit approximately one-fourth of its resources to one project. The Chrysler application seeks one-fourth of FmHA's annual guarantee authority. Eight to ten projects of this magnitude could absorb all the funds available from EDA and FmHA in any given year. Since Congress clearly would not accept such a concentration of existing program resources in one or several projects, a crescendo of criticism would arise or guarantee authorization (and in some cases, outlays) for these programs would expand.
- The risks and Federal resources involved in these large projects exceed those of existing EDA and FmHA projects. Default rates on FmHA and EDA do not vary substantially from private sector default rates for two reasons:

- 1) the agencies invest primarily in economically viable firms; and
- 2) most of the EDA and FmHA loans and loan guarantees are small, producing a diverse portfolio and minimizing the risks to the whole portfolio associated with any one default.

The Chrysler and AMC applications could jeopardize this record.

*It's important
to maintain this
good record*

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- Substantial government assistance to large businesses can be criticized on the grounds that it subsidizes inefficiency and impedes the free flow of capital and labor to their most productive uses.
- The political pressure for a more liberal decision has been defused somewhat. The Chrysler Corporation is reevaluating its investment plans and may pare down the size of its request or seek Federal relief in other areas (specifically fuel economy standards, airbag regulations, etc.) Congressman Brademas and Congressman Aspin, the principal supporters of AMC's request, are aware that the task force will recommend to you a firm limitation on FmHA and EDA assistance. While there will be considerable disappointment, neither of them will criticize the Administration severely on this issue.
- Situations as large and as serious as Chrysler's should be handled on a case-by-case basis, presumably through special legislation. Large loan guarantees regulatory relief or any other Federal assistance to one major corporation should be provided only as part of a comprehensive solution (a Lockheed or N.Y.C. type of agreement) that will take months to negotiate. It would be a mistake to suggest that these "exceptional cases" should be handled through an ongoing Federal program.
- While we would not fully meet the needs of Chrysler and AMC, we can provide substantial assistance through existing programs to the communities and the affected workers. Our experience with Youngstown, Ohio, which has experienced a significant economic recovery, is an example of this approach.

I agree

The major disadvantages of this approach are as follows:

- Such a policy technically is inconsistent with our steel program, under which we will provide \$100 million loan guarantees to at least two companies, and have received several applications in the \$50-100 million range.
- It does not solve Chrysler's or AMC's problems. The problem of potential insolvency of large corporations is one that we will continue to confront.
- Both firms are in financial distress and the loan guarantees they seek might avoid their insolvency in the near future.

- It does not fully respond to Chrysler and AMC and, therefore, will disappoint their political supporters.

Limits of Recommendations

The task force's recommendation addresses only the narrow issue: "Should EDA and FmHA programs be used to provide substantial (in excess of \$50 million) loan guarantees to financially troubled companies?" It does not address the large issue: "What, if any, assistance should the Federal government provide to large companies that face the prospect of insolvency." We will provide you with memoranda on individual cases as each company's situation dictates.

This memorandum also does not address the broader issue of the Federal government's relationship to the private sector, and particularly troubled industries. We undoubtedly will continue to face these broader issues of industrial policy, which already have caused us to propose the steel and shoe industry programs.

Decision

The task force recommends that, with the exception of the steel program, the maximum amount of loans and loan guarantees available to one firm (EDA, FmHA or any combination of these agencies) be limited to \$50 million.

If you agree with the task force's recommendation, I will inform Secretary Kreps and Secretary Bergland of your decision. They then will inform the Congressional Committees of our policy on this issue.

Agree with Recommendation _____

Disagree with Recommendation _____

Other _____

Chrysler Corporation

The attached memorandum from Secretary Blumenthal briefly describes the Chrysler situation and suggests that Treasury undertake a discrete investigation of Chrysler's problems. Deputy Secretary Carswell and I have discussed this issue

and we agree on the following:

- o Treasury will take the lead in any discussions or negotiations with the Chrysler Corporation, involving other agencies only when they are needed. We will be kept informed as we are with N.Y.C.
- o Treasury will undertake a discrete investigation of the possibility of a Chrysler insolvency, its consequences and alternatives to it.
- o After Treasury has completed their initial investigation, we will provide you with a decision memorandum seeking your concurrence on our suggestions for proceeding.
- o Treasury will indicate in its discussion with Chrysler that there will be no federal aid or relief until all other alternatives have been exhausted.
- o Treasury also will indicate to Chrysler that you have not considered Chrysler's specific situation, but that philosophically you are not favorably disposed to Federal aid for major corporations.

Recommendation:

I recommend that you authorize Secretary Blumenthal to proceed with his investigation, and that you ask him to report his findings to you before he enters into any negotiations with Chrysler.

ok
J

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THE WHITE HOUSE
WASHINGTON

1/22/79

Secretary Blumenthal

The attached was returned in
the President's outbox today
and is forwarded to you for
appropriate handling.

Rick Hutcheson

cc: Stu Eizenstat

FOR ACTION
FYI

FOR STAFFING

FOR INFORMATION

FROM PRESIDENT'S OUTBOX

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IMMEDIATE TURNAROUND

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LAST DAY FOR ACTION

VICE PRESIDENT

JORDAN

EIZENSTAT

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MOORE

POWELL

RAFSHOON

WATSON

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BRZEZINSKI

MCINTYRE

SCHULTZE

ADAMS

ANDRUS

BELL

BERGLAND

BLUMENTHAL

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CALIFANO

HARRIS

KREPS

MARSHALL

SCHLESINGER

STRAUSS

VANCE

ARONSON

BUTLER

H. CARTER

CLOUGH

CRUIKSHANK

FIRST LADY

HARDEN

HERNANDEZ

HUTCHESON

KAHN

LINDER

MARTIN

MILLER

MOE

PETERSON

PETTIGREW

PRESS

SANDERS

WARREN

WEDDINGTON

WISE

VOORDE

ADMIN. CONFIDEN.

CONFIDENTIAL

SECRET

EYES ONLY



THE SECRETARY OF THE TREASURY
WASHINGTON 20220

December 12, 1978

*cc Mike -
You may tell them
our views - assess
their situation - then
consult with me -
JC*

MEMORANDUM TO THE PRESIDENT

Subject: Impending Financial Crisis
of Chrysler Corporation

Executives of Chrysler Corporation, some State and local officials and their newly appointed financial adviser, Felix Rohatyn, have been making the rounds in Washington and stating that without massive assistance from the Federal government Chrysler may well be forced into bankruptcy as early as this spring. They state that they require more than \$1.8 billion for capital expenditures over the next four years in order to meet already mandated federal environmental and safety standards and required new investment for retooling. They further state that private lenders are unwilling to provide even a small fraction of the funds needed. They state that lenders would participate if the federal government provided appropriate assistance either through relaxation of environmental and safety standards and/or through loans or guarantees.

Chrysler had estimated 1977 auto sales of approximately \$16.7 billion, approximately 15% of total auto sales of domestic manufacturers. It employs 251,000 people across the country and is the principal producer of our tanks.

I have initiated a discrete investigation of the Chrysler situation because we are at the moment not in a position to evaluate their request for assistance. When that is completed, we should have a basis for determining the consequences of possible Chrysler bankruptcy and alternatives to preventing it.

I have agreed with Stu that Treasury will assume the lead in monitoring and formulating recommendations concerning Chrysler, keeping him fully informed of developments.

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I expect shortly to meet with John Riccardo and others from Chrysler. Unless you feel differently, I would propose to make it clear to them that there will be no federal loans or guarantees if it is not absolutely clear that they have exhausted all alternatives, e.g. additional loans from their bankers, possible merger with or support from other companies, sales of assets such as their defense business, reductions of their present lines of business, etc. I would also state that you have not considered the substance of this matter but that philosophically you are not favorably disposed to federal aid for failing corporations.

A handwritten signature in dark ink, appearing to read "Mike", is positioned above the typed name.

W. Michael Blumenthal

FOR ACTION
FYI

FOR STAFFING
FOR INFORMATION
FROM PRESIDENT'S OUTBOX
LOG IN/TO PRESIDENT TODAY
IMMEDIATE TURNAROUND
NO DEADLINE
LAST DAY FOR ACTION

VICE PRESIDENT

JORDAN

EIZENSTAT

KRAFT

LIPSHUTZ

MOORE

POWELL

RAFSHOON

WATSON

WEXLER

BRZEZINSKI

MCINTYRE

SCHULTZE

ADAMS

ANDRUS

BELL

BERGLAND

BLUMENTHAL

BROWN

CALIFANO

HARRIS

KREPS

MARSHALL

SCHLESINGER

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MOE

PETERSON

PETTIGREW

PRESS

SANDERS

WARREN

WEDDINGTON

WISE

VOORDE

ADMIN. CONFIDEN.

CONFIDENTIAL

SECRET

EYES ONLY

THE WHITE HOUSE
WASHINGTON

1/22/79

Jack Watson

The attached was returned in
the President's outbox today
and is forwarded to you for
appropriate handling.

Rick Hutcheson

FOR ACTION
FYI

	FOR STAFFING
	FOR INFORMATION
	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
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	NO DEADLINE
	LAST DAY FOR ACTION

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	BRZEZINSKI
	MCINTYRE
	SCHULTZE
	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

	ARONSON
	BUTLER
	H. CARTER
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	CRUIKSHANK
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	MILLER
	MOE
	PETERSON
	PETTIGREW
	PRESS
	SANDERS
	WARREN
	WEDDINGTON
	WISE
	VOORDE
	ADMIN. CONFIDEN.
	CONFIDENTIAL
	SECRET
	EYES ONLY



STATE OF WEST VIRGINIA
OFFICE OF THE GOVERNOR
CHARLESTON 25305

January 18, 1979

JOHN D. ROCKEFELLER IV
GOVERNOR

*Jack -
draft reply -
check in Jim
J*

The President
The White House
Washington, D. C.

Dear Mr. President,

Last fall, we announced the largest single investment in West Virginia's 115-year history, the Gulf SRC-II plant near Morgantown. It is, as you know, an investment of well over \$500 million, and would place West Virginia in its proper role of developing new technology for coal, specifically coal liquefaction. I cannot stress how important this project is to our state and to me personally. I addressed that subject in my State of the State speech last week, and am attaching that section of my speech to this letter.

This week, however, we have heard disturbing reports that the Administration is rethinking the whole matter of new coal technology, and that we might now find ourselves in competition with SRC-I, which is really not a comparable project. Moreover, unlike SRC-II, SRC-I would not relieve our dependence on foreign oil.

It is my sincerest hope that you will give very careful consideration to continuing SRC-II funding. The SRC-II coal liquefaction process is a promising one, and the liquid product has been successfully tested by Con Edison.

Should we lose the SRC-II plant near Morgantown, it would be a blow to our state's economy, to our economic development program and would, I believe, cut against the prospect for positive conclusions on coal technology issues being considered by the President's Commission on the Coal Industry, which I am chairing at your request. It took well over a year to negotiate the Gulf SRC-II plant. Work is now progressing rapidly toward making it a reality.

Mr. President, no request I make of you during your Presidency has greater significance for the future of the State of West Virginia than the request that the SRC-II plant be funded and supported by your Administration. I stand ready to work with you or your staff on this matter at any time.

Sincerely,

John D. Rockefeller IV

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OFFICE OF THE GOVERNOR

GULF SRC-II PORTION OF GOVERNOR ROCKEFELLER'S STATE OF THE STATE
ADDRESS

During much of the past year, I spent time, on your behalf, in Washington--at the White House, on Capitol Hill--fighting West Virginia's battle for a National Energy Plan, because I know that plan will, in the long run, help West Virginia to fuel the nation.

For over a year, I fought to bring the Gulf SRC-II plant to West Virginia as a guarantee that it will be West Virginia which pioneers the development of new, revolutionary uses for coal. And we succeeded. Last summer, I announced that Gulf Oil will build a \$500 million coal liquefaction plant in Monongalia County--the largest single industrial investment in the history of West Virginia.

It means a whole new market for our high-sulphur coal, and it will allow the utility companies of the Northeastern United States to buy liquid fuel made from West Virginia coal, instead of foreign oil, which has contributed greatly to the high inflation rate in this country.

And we will turn this coal into a clean-burning liquid fuel at the rate of 6,000 tons of coal a day...2 million tons of coal a year...producing 45 million barrels of heavy fuel oil a year... jobs for 1,000 coal miners...1,500 construction workers...and 400 plant employees.

Impressive statistics, to be sure.

But the point that should not be missed in the enormity of the project is this: West Virginia is pioneering in energy technology, pointing the way to America's future. Many other states wanted this SRC-II plant. We had to fight to get it. You helped last year by passing legislation that made our case a stronger one. And now the West German government has agreed to join in this project, and the Japanese government is now negotiating to do the same.

Last year, I told you I was determined that West Virginia would play a leading role in energy development, and that we would play that role on our home court. This year, I can report to you that President Budig of West Virginia University and I are determined to move that University into the front ranks of research institutions in the country. You have helped us in that effort, and today I'm asking you to help again.

THE WHITE HOUSE

WASHINGTON

January 23, 1979

9/

MR. PRESIDENT:

Attached are letters from Wilbur Cohen and Robert Ball. I thought perhaps you might want to read them. I have responded to both letters.

Stu

Stu Eizenstat

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THE WHITE HOUSE
WASHINGTON

January 23, 1979

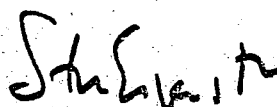
Dear Wilbur:

Thank you for your very thoughtful memo of December 21 and letter of January 8.

As you know, we will be consulting actively over the next several weeks, and I would like very much to talk with you.

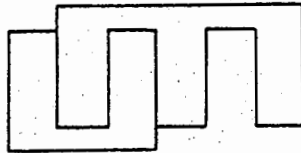
Please let me know if you are going to be in Washington soon.

Sincerely,



Stuart E. Eizenstat
Assistant to the President
for Domestic Affairs and Policy

Wilbur J. Cohen
Dean Emeritus
Professor of Education and
Public Welfare Administration
The University of Michigan
Ann Arbor, MI 48109



THE UNIVERSITY OF MICHIGAN

School of Education
Corner East and South University Avenues
Ann Arbor, Michigan 48109

DPS
1-17-79
000013

January 8, 1979

Hon. Stuart Eizenstat
Assistant to the President for
Domestic Affairs and Policy
The White House
Washington, D.C. 20500

Dear Stu:

Two incremental ideas relative to indicating the Administration's continued concern for implementing a practical national health insurance program:

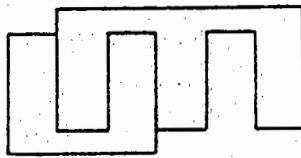
1. Include in your revised CHAP program a study of the timing and implementation of health insurance coverage of mothers and children either by Presidential action or by legislative action. Mobilize the substantial support in Congress and among others for this effort.
2. Extend home health services with the eventual objective of making it a universal community service. Provide for payment of home health services to all social security beneficiaries initially and by 1982 to the entire population.

These suggestions would not be inconsistent with any broad national health insurance bill you wish to support but would enable you to keep the initiative and a forward-looking approach.

Sincerely,

Wilbur J. Cohen
Dean Emeritus
Professor of Education and
Public Welfare Administration

WJC/as



THE UNIVERSITY OF MICHIGAN

School of Education
Corner East and South University Avenues
Ann Arbor, Michigan 48109

January 8, 1979

Hon. Stuart Eizenstat
Assistant to the President for
Domestic Affairs and Policy
The White House
Washington, D.C. 20500

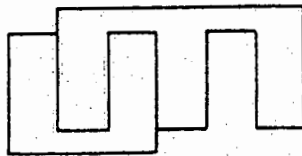
Dear Stu:

I hope you will show the enclosed letter to the President.

Sincerely,

Wilbur J. Cohen
Dean Emeritus
Professor of Education and
Public Welfare Administration

WJC/as



THE UNIVERSITY OF MICHIGAN

School of Education
Corner East and South University Avenues
Ann Arbor, Michigan 48109

January 8, 1979

The Honorable Jimmy Carter
The President
The White House
Washington, D.C. 20500

Dear Mr. President:

I wish to thank you for the opportunity you gave me to participate in the discussion with you on December 20 with respect to my objections to the social security changes recommended by HEW and OMB.

In the intervening period I have been reflecting on your closing question to us as to whether or not social security is sacrosanct. I regret we did not have time in the meeting to follow up on your important inquiry.

I recognize the need for reexamination of the program in the light of changing conditions and priorities. That is one of the reasons for the three advisory groups which have been established, none of which were consulted on the proposals. In addition, I don't think that promises made by the Government in permanent legislation should be broken by a President and Congress without an acceptable quid pro quo. The benefits in the social security system are a social compact between the contributors and the government. An attempt by a President to break this compact, a moral and political commitment embodied in law, will undermine the faith of people in the future promises of their President and their government.

It is not a valid answer to say a particular benefit should be repealed because it is not "central" to the purpose of the system, or is not an "efficient" method of carrying out the objective, or can be met through some other welfare program or other income-and-resource-tested program. Breaking a legislative promise is a serious matter and when it involves the human rights of people is all the more profound.

As you can see, I feel very strongly about this matter and deeply regret what I understand from our subsequent conversation with Secretary Califano is a determination to go ahead on this unfortunate--and to me immoral--course. I hope you will understand, therefore, that my conscience would not allow me to support the changes and that as a former trustee of the social security

system I would have to oppose them publicly as a matter of principle. I am sure others will have to do likewise. This is not a happy outlook for persons such as myself who supported you against the doubts of many of our associates.

As a former Secretary of Health, Education, and Welfare, I can only repeat what I said to Secretary Califano: I am shocked and ashamed that the Democratic Administration would propose such changes, without adequate consultation, and with such little weight given to the far-reaching implications of such action.

I am sure that if Bob Ball and I had been consulted earlier we could have made some constructive suggestions to help in meeting your objectives, but the closed manner--and the lack of consultation with the contributors to the system--in which HEW formulated these "horrendous" changes (as Bob Ball stated to you) is in itself an indictment of the Administration's procedures and policy.

Respectfully,



Wilbur J. Cohen
Dean Emeritus
Professor of Education and
Public Welfare Administration

WJC/as

THE WHITE HOUSE

WASHINGTON


January 23, 1979

Dear Bob:

Thank you for your very thoughtful letter of January 11, 1979.

As you know, we will be consulting actively over the next several weeks, and I would like very much to talk with you.

Very truly yours,



Stuart E. Eizenstat
Assistant to the President
for Domestic Affairs and Policy

Dr. Robert M. Ball
7217 Park Terrace Drive
Alexandria, VA 22307

I'm sorry we've disappointed you on this

January 11, 1979

Mr. Stuart Eizenstat
Assistant to the President for
Domestic Affairs and Policy
Second Floor, West Wing
The White House
Washington, D.C. 20500

Dear Stu:

As you know, I have done what I could to be helpful to the President before his nomination, during the campaign, and since he has been in office. I greatly appreciate his and your willingness to consult with me on health insurance, welfare, and social security matters, and I hope I have been helpful.

Because of the somewhat confidential relationship I have had with you and members of your staff, it seems to me only fair that I now inform you that for the first time I will be taking public positions in opposition to Carter Administration proposals. It, of course, comes as no surprise to you that I object strongly to the specific social security proposals in the budget and even more to the almost casual way in which long-range reductions in social insurance protection are being proposed. These are benefits which people have worked for and paid toward and if modifications are to be made without undermining people's confidence in social security and the promise of government generally, the modifications need to be phased in over a long period of time and after thorough consultation with employers, workers, and beneficiaries, all of whom are importantly affected by the changes. It is the failure to distinguish between the usual budget process of deciding for a particular year the level of funding to be recommended for general revenue authorizations and basic reductions in protection provided by the contributory social insurance system that I find most disturbing.

Although I know you are well aware of my views, I did want to give you specific "notice" that on this issue you should treat me as a member of the "opposition." I have no illusions about my ability as an individual to affect the outcome on the Administration's social security proposals, but I want you to know that I will be working with others to do what I can to prevent their enactment.

Sincerely,

Bob
Robert M. Ball

7217 Park Terrace Drive
Alexandria, Virginia 22307

P.S. I hope you realize that I knew nothing of the Dan Schorr column until after his deadline. He tried to reach me, but I was visiting my son in Manlius, N.Y. over the New Year week-end. I consider the type of meeting we had with the President on social security to be confidential.

cc: Bert Carp
Chris Edley

Steering & Policy Com 1-22-79
95th → 96th Partnership

Econ. Inff. Budget

Hosp. Real Wage - Comps. Reg
Panama

Taiwan

Reorg

SALT- Mid East. Nic, Af. Iran

democratic policy
study group

1/22/79

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THE WHITE HOUSE
WASHINGTON

Speaker Soc Sec - \$250 death benefit
18-16 Ed

Alexander Rural

Bradman Defense

Veterans

Retirements

St Germain 1/3 for Gen. Rev.

Sieberting D-2 land

Payroll tax

Speelman SALT = Higher Def budget

Hospital Costs - NK, NY, Conn,
Dept of Ed - no

Rose AWAES

CTB

Duncan Nat Resource Agencies
Timber sales

Speelman

THE WHITE HOUSE
WASHINGTON

Danielson Const Convention
Conf should → bal budget
Illegal aliens - problem

Hoe Reorg = better services
EDA → HUD no

Diaggi Pledge to NATO
Hostile to Sr. Citizens
Older American Act

Rausch Cities magnets for poor

M. Murphy Regulations

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Budget signing - 1.22-79

2 hrs. briefings

Control infl. meets goals

Tough & fair

Will not please everyone

Live on our means

Restrain demands on govt

Waste, fraud, Corruption

Solve probs forthrightly, fairly
& Compassion

Best policy - everyone, esp poor

People support. I'll fight

Cong will adapt

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THE WHITE HOUSE
WASHINGTON

replied JANUARY 22, 1979 *input*

done 11:25 A.M. *lib*

"C. Murphy" MR. PRESIDENT *lib*

4 CONGRESSMAN MIVKA RETURNED YOUR CALL.

input CONGRESSMAN JOHN MURPHY CALLED. *done*

Louis Palé - Congress - No problem
5 exceptions *J*

dist THE WHITE HOUSE OPERATOR IS NOT CLEAR
ON WHO YOU WANTED FROM HAWAII!

1 2 3 4 5 6 7 8 9 10
SENATOR INOUYE _____

SENATOR MATSUNAGA _____

CONGRESSMAN HEFTTEL _____

CONGRESSMAN AKAKA _____

PHIL

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1) Registration on election day - difficult = down to 2 weeks

2) Ballot = "Remain in power?"

Const says → Constituent away to
be elected

3) Some remove from Theresa
before election

4) Those living abroad able to vote
anyone can come back to
vote

5) Demarcation of election districts
Rural districts Δ

Jim Mc Cormick

Ed Murphy - Mr

Xport complex

16000 motor carriers

entry & rate setting ok

Very diverse service

Sound industry

Air dereg - more could fly
not same to trucks

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